



Several months before a scheduled sale, DNR prepares a geologic and economic evaluation of the sale area to determine the bidding method, leasing method, and the lease terms. When the methods and terms are finalized, public notice of the sale is distributed. Leases in areawide sale areas are offered by competitive bidding. Leases are awarded to the highest responsible qualified bidder.

Best Interest Findings

Before disposing of an interest in state land, including an oil and gas lease sale, DNR prepares a written finding that determines if the sale is in the best interest of the state.

The process involves participation of state agencies, federal agencies, Native corporations, local governments, non-governmental organizations, industry, and the public.

Best Interest Findings developed for each areawide leasing area give bid-

Annual Areawide Lease Sale Schedule

Spring Lease Sale

Alaska Peninsula, Cook Inlet

Fall Lease Sale

Beaufort Sea, North Slope,
North Slope Foothills

Subscribe to email announcements on Areawide Lease Sales at:

http://dog.dnr.alaska.gov/Leasing/Documents/Email_Subscription_FAQs.pdf

ders an opportunity to know before bidding what general mitigation measures can be expected in the area. Other mitigation measures may be required when operations are authorized.

Best Interest Findings are valid for ten years, but may be supplemented if new information warrants.

Current or more detailed title or land status information for a particular tract may be obtained from state land records at

ADNR's Public Information Center
550 West 7th Ave., Suite 1260
Anchorage, Alaska 99501
phone (907) 269-8400

or the ADNR Web site at:

<http://dnr.alaska.gov/landrecords>

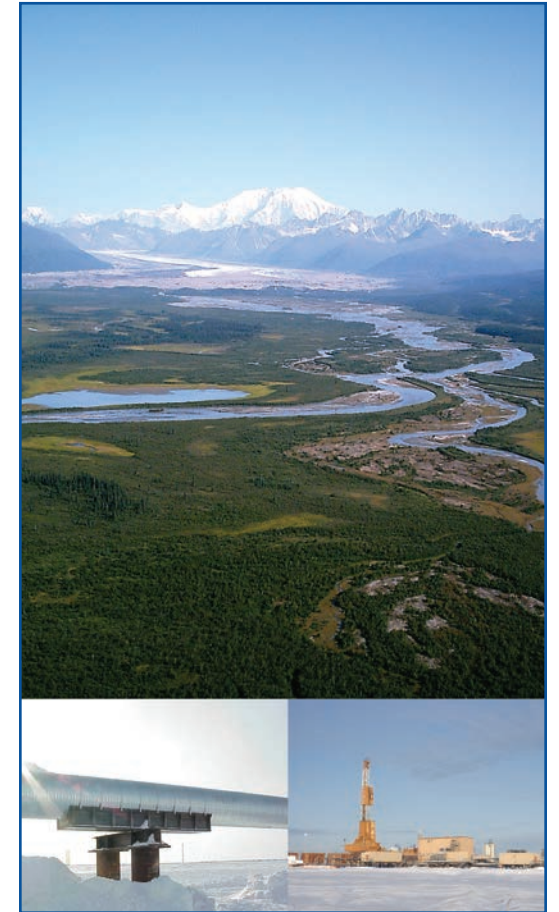


Qualification of Bidders

Bidders must be qualified with the Division of Oil and Gas prior to submitting a bid. Corporations, including limited liability companies, must also be qualified with the Alaska Department of Commerce, Community and Economic Development to do business in Alaska. Please see <http://dog.dnr.alaska.gov/Leasing/LeaseFAQs.htm> for more information.

It is the bidder's responsibility to ensure that all qualification requirements are fulfilled. For additional qualification information, please contact (907)269-8800 or dog.leasing@alaska.gov.

Areawide Lease Sales



Alaska Department of
NATURAL RESOURCES
DIVISION OF OIL & GAS

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<http://dog.dnr.alaska.gov/>

Areawide Leasing

The State of Alaska holds competitive areawide lease sales annually for geographic regions where there is known oil and gas potential. Under areawide leasing, the state offers all available state acreage within those regions for lease by competitive bidding.

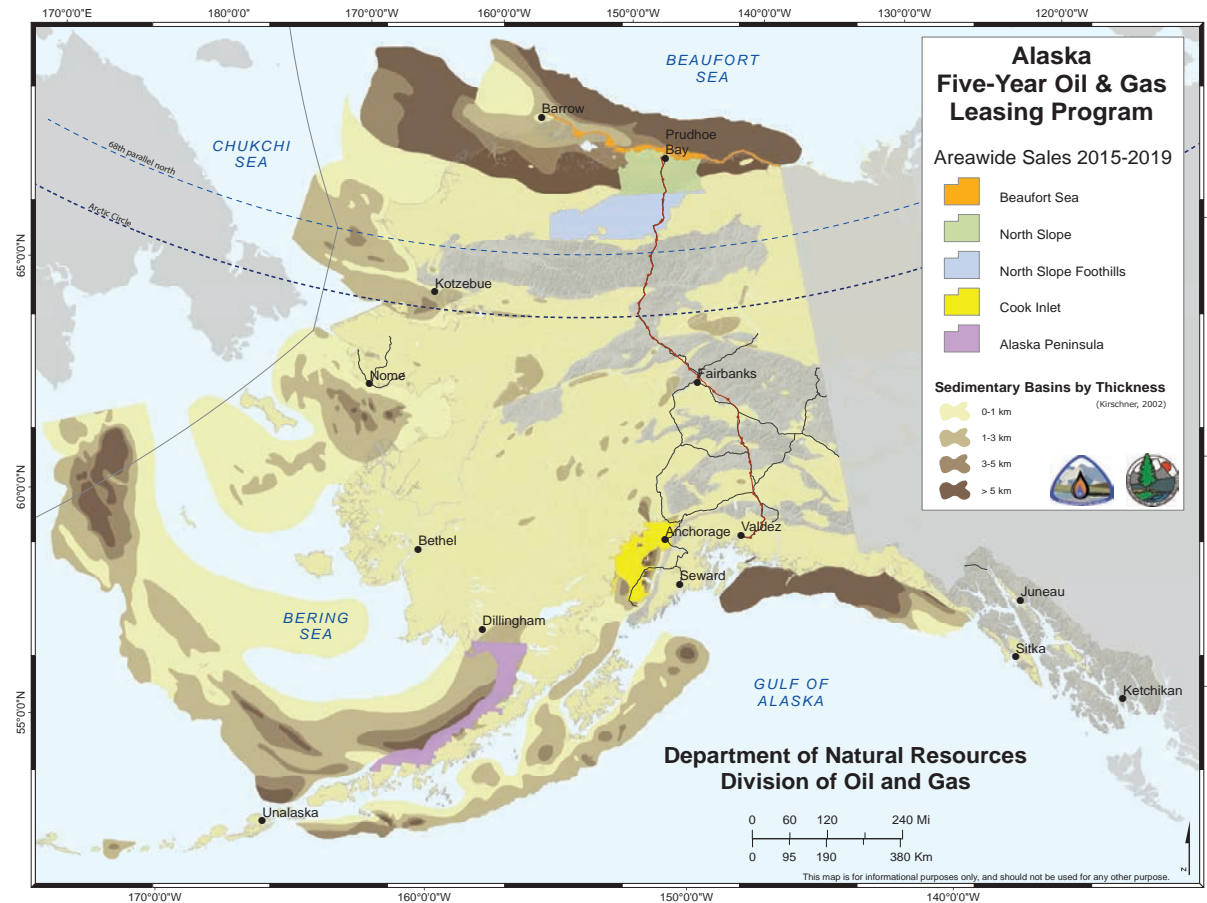
Conducting annual areawide sales is cost effective. It allows companies to plan for and develop exploration strategies and budgets years in advance, and to bid on any available acreage within an entire region.

A regular schedule of areawide lease sales allows for quick turnaround of expired or terminated leases, or leases contracted out of units, for reoffer in the next annual sale. This allows for more efficient exploration and earlier development.

Administrative Process

Each lease sale area is divided into lease sale tracts. Because of the large number of tracts involved, the extent of the state's ownership interest in each tract is not determined before a lease sale. Instead, after a lease sale, DNR verifies state title and land status only for tracts receiving bids. A tract may contain land that the state cannot legally lease (e.g., land that is within an existing lease or is federal, Native, or private land).

For bidding purposes, DNR assigns an estimated acreage figure to each



tract, and the per acre bonus bid reflects the assigned acreage.

The actual acreage available may differ, depending on the title and land status within each tract. Lands not owned by the state, already leased, clouded by title claims, or withdrawn are not leased, and only free and unencumbered state-owned lands are included in any issued lease.

DNR publishes areawide tract maps showing generalized land status to assist potential bidders. However, it

is the bidder's responsibility to determine availability of the land within a tract before bidding.

DNR sends out a public notice for the lease sales at least 45 days before the sale. Sealed bids must be received by the date specified in the Sale Announcement and Instructions to Bidders. Each bid must include a bid deposit of at least 20 percent of the bonus bid offered for the tract. Submitted bids are opened and read in public. The qualified bidder with

the highest per-acre bid on a tract is awarded the lease.

Leases are awarded after state title in the tracts is verified and the acreage calculated. The bonus bid amounts are adjusted and the lease is awarded based on the actual available acreage.

Lessees must pay any remaining balance of the bonus bid, plus interest, and the first year's rent, and return signed copies of the leases within 30 days after being awarded a lease. DNR then issues the lease and sets the effective date.

Depending on the number of tracts receiving bids and the complexity of the land ownership, it may take several months following the lease sale before the leases are awarded.

Leasing Methods

Alaska has several leasing method options designed to encourage oil and gas exploration and maximize state revenue, as set out in state law. These methods include combinations of fixed and variable bonus bids, royalty shares, and net profit shares. Minimum bids for state leases vary but have recently ranged from \$5 to \$25 per acre. Fixed royalty rates are generally 12 1/2 percent or 16 2/3 percent, although some have been as high as 20 percent. A sliding scale royalty has also been used. Primary lease terms may be between five and ten years.